



JSTARS

Joint STARS Future Support Incentive Strategy



Incentive Plan Overview

JSTARS

- Output Based and Performance Oriented Focus on Warfighter's Needs -- both Near and Long-term
 - Award Fee incentive tool focused on day-to-day warfighter support
 - Award Term incentive tool focused on long term integration and sustainment manager performance
- Separate but Mutually Reinforcing Award Fee and Award Term Plans
- Reasonable Profit Potential Consistent with Industry Expectations, Performance Challenges, and Risks
- Orderly, Performance-Based Approach to Off-Ramp

***Joint STARS Integrated Incentives Approach
Fully Supports Warfighter Focus on Availability, Training, and Cost***



Behaviors Motivated

JSTARS

Incentive Strategy (Award Term/Award Fee)

**Performance Above Standard
Influence Performance Elements Outside Prime's Control
Problem Avoidance/Resolution
Cost Control/Life Cycle Cost Reduction
Best Value Decisions/Trade-Offs
Continuous Improvement
Investment**



Award Fee Details

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- Focus: Day-to-Day Warfighter Support
- Fee Pool - 10%
- Base Fee 0%
- Award Fee Applied at Aggregate Level (instead of at Delivery Order Level)
- Semi-Annual Assessment and Disbursement
- Rollover (for one period only) at FDO discretion



Award Fee Measures

JSTARS
Expected
Weights

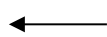
Technical Performance Measures
(Availability & Training)

Quantitative
Input

Deviation in Total Aircraft Possessed Days
NMCS(C)
Average MICAP Delivery
RSP Fill Rate
Trainer Availability

40%

Cost Performance
Quantitative
Input



Cost Performance to Contract Estimate **35%**

Customer Support
Qualitative
Input

Engineering Support
Technical Data Management
Training Effectiveness
Program Control
93rd Wing Support
Quality Program

25%

75 % Quantitative
25 % Qualitative



Award Fee Measures

		Behaviors							
		Measures							
		Performance Above Standard Influence Outside Performance Problem Avoidance/Resolution Cost Control/LCC Reduction Best Value Decision/Trade-Offs Continuous Improvement Investment							
Technical Performance Measures (Availability & Training)	Deviation in Total Aircraft Possessed Days	✓		✓		✓	✓	✓	
	NMCS(C)	✓		✓			✓	✓	✓
	Average MICAP Delivery	✓		✓		✓	✓	✓	✓
	RSP Fill Rate	✓		✓			✓	✓	✓
	Trainer Availability	✓		✓			✓	✓	✓
Cost Performance	Cost Performance Contract Estimate			✓	✓	✓	✓	✓	✓
	Engineering Support			✓					
Customer Support	Technical Data Management			✓			✓		
	Training Effectiveness	✓	✓	✓			✓	✓	✓
	Program Control			✓	✓	✓			
	93d Wing Support	✓	✓	✓		✓	✓	✓	✓
	Quality Program			✓		✓	✓	✓	✓



Measurement Range Definitions

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OBJECTIVE	Performance is exemplary, substantially exceeding Government's expectations
EXPECTED	Performance reflects the Government's expectations for the contract's requirements (Includes "stretch" factor)
THRESHOLD	Performance is at the minimum level and any performance below will receive no award fee.



Award Fee (AF) Tools

Quantitative Metrics

		Technical Performance						<i>JSTARS</i>
		FY01	Measures					
	DEVIATION IN AIRCRAFT POSSESSED DAYS	NOT MISSION CAPABLE SUPPLY(C) (%)	AVERAGE MICAP DELIVERY (HOURS)	RSP FILL RATE (%)	IFT SORTIE EFFECT- IVENess (%)	PME MTS AVAIL (%)	MCTS AVAIL (%)	
WEIGHT	12	10	8	4	2	2	2	40
AF POINTS	5	5.9	36	95	90	98	98	Objective
9	3 -4	6.0 - 6.4	36.1 - 40	94.6 - 94.9	88.1 - 89.9	97.0 - 97.9	96.1 - 97.9	
8	1 - 2	6.5 - 7.0	40.1 - 48.0	93.1 - 94.5	85.6 - 88.0	95.1 - 96.9	94.1 - 96.0	
7	0	7.1 - 7.5	48.1 - 52.0	91.1 - 93.0	84.1 - 85.5	94.1 - 95.0	92.1 - 94.0	Expected
6	(-)1 - (-)3	7.6 - 7.9	52.1 - 60.0	88.1 - 91.0	82.1 - 84.0	92.5 - 94.0	90.5 - 92.0	
5	(-)4 - (-)6	8.0 - 8.3	60.1 - 68.0	86.1 - 88.0	80.1 - 82.0	91.1 - 92.4	88.1 - 90.4	
4	(-) 7	8.4 - 8.6	68.1 - 76.0	84.1 - 86.0	76.1 - 80.0	88.1 - 91.0	86.1 - 88.0	
3	(-) 8	8.7 - 8.8	76.1 - 84.0	82.6 - 84.0	73.1 - 76.0	85.1 - 88.0	84.1 - 86.0	
2	(-) 9	8.9 - 9.0	84.1 - 96.0	81.1 - 82.5	71.1 - 73.0	83.1 - 85.0	82.1 - 84.0	
1	(-) 10	9.1 - 9.2	96.1 - 102	80.1 - 81.0	70.1 - 71.0	82.1 - 83.0	80.1 - 82.0	Threshold
0	(-) 11	9.3	> 102.1	80	70	82	80	8



Award Term Details

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- Focus: Performance as Weapon System Integrator & Overall Sustainment Manager
- Basic Contract Guarantees Minimum of 6 years
- Term Adjustments
 - Maximum points allowed per year range from - 100 to + 150
 - Range of + 1 or - 1 year term for each +/- 100 points
 - Off-ramp process would commence in year 5 if no term is earned
- Award Fee Results Translate into Award Term Points
 - 21% of Award Term points derived directly from Award Fee results
 - Provides balance between Wing support and long term integration
- Remaining Points Qualitatively Earned by Effective Integration Activity and Long-term Cost Containment
- Excess Earned Points (+ or -) are Carried Over to Next Period



Award Term Contractor Investment Motivation

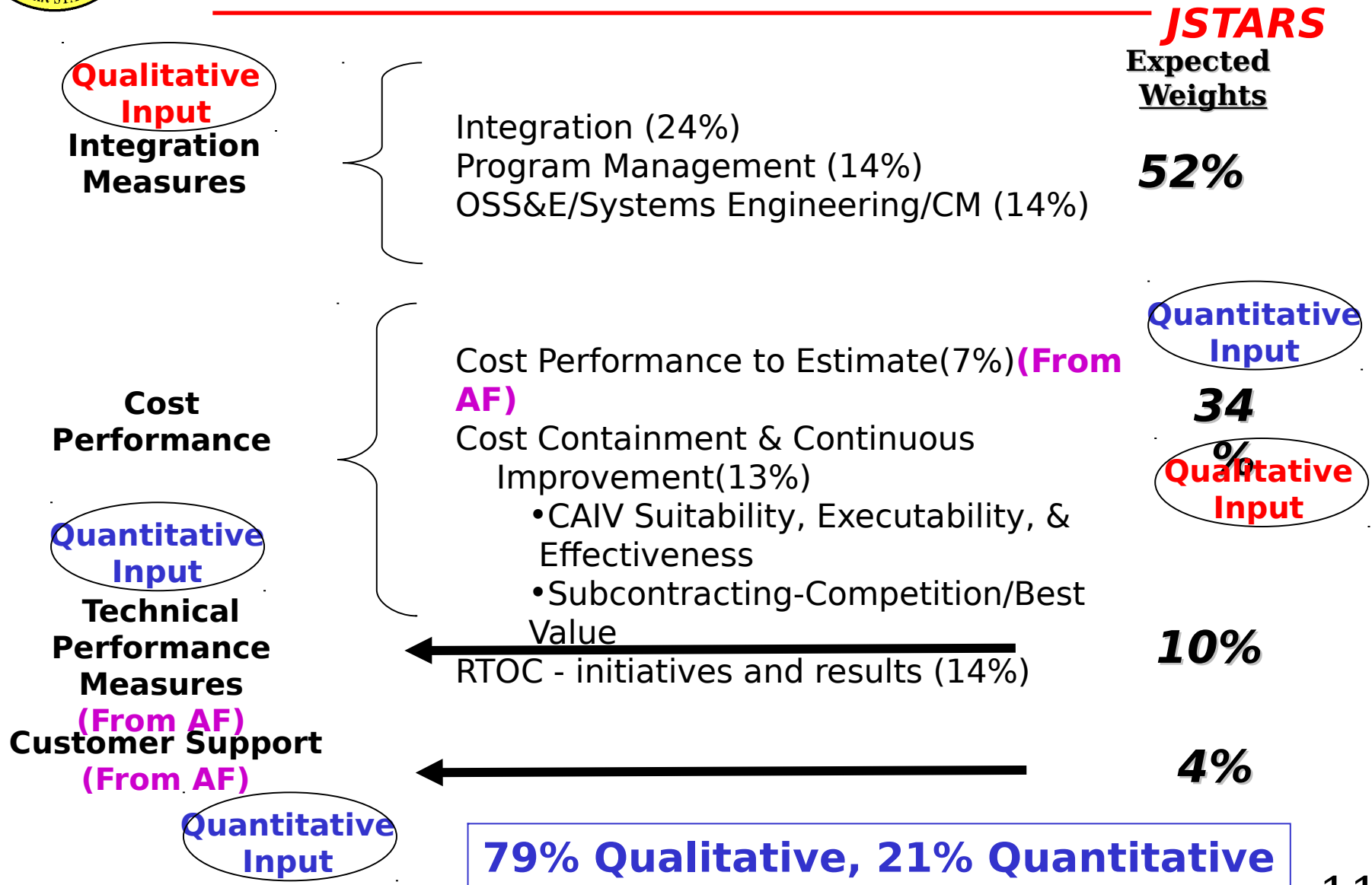
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- Award Fee Technical Performance Measures Will Become More Demanding Over Time to Reflect Impact of Investments in Continuous Improvement
 - Raising the Performance Bar; Expanding Performance Scope
 - 10% of Award Term points come directly from TPMs
- Significant Quantity of Award Term Points Driven by Discretionary Investments to Control Costs
 - 27% of Award Term points driven by long-term continuous improvement/cost containment and RTOC

**37% of Award Term Motivates Contractor to
Make Discretionary Investments to Enable Continuous Improvement**



Award Term Measurement Summary





Award Term Measures

		Behaviors							
		Measures							
		Performance Above Standard Influence Outside Performance Problem Avoidance/Resolution Cost Control/LCC Reduction Best Value Decision/Trade-Offs Continuous Improvement Investment							
Integration Measures	Integration	✓	✓	✓	✓	✓	✓		
	Program Management	✓	✓	✓		✓			
	OSS&E/Systems Engineering/CM			✓		✓			
Cost Performance	Cost Performance to Estimate (f/AF)								
	Cost Containment & Continuous Improvement			✓	✓		✓		
	RTOC		✓		✓			✓	
	Technical Performance Measures (f/ AF)	✓					✓	✓	
	Customer Support (f/AF)	✓	✓	✓			✓	✓	



Award Fee/Award Term Case Analysis Results

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Award Fee/Award Term Results Matrix

	Performance at Threshold	Performance below Expected	Performance at Expected	Performance at Objective
Cost at Objective	47%/ 7	64%/ 53	83% / 124	96% / 135
Cost at Expected	45%/ -6	61%/ 42	80% / 110	93% / 128
Cost below Expected	41%/ -21	57%/ 24	77%/ 68	90%/ 79
Cost at Threshold	38%/ -36	54%/ 19	73%/ 51	86%/ 61
Cost below Threshold	13%/ -57	29%/ -1	49%/ 31	62%/ 47

***Optimal Balance Required to Achieve
Significant Points in Excess of One Term***



Award Fee/Award Term Case Analysis Results

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Award Fee/Award Term Results Matrix

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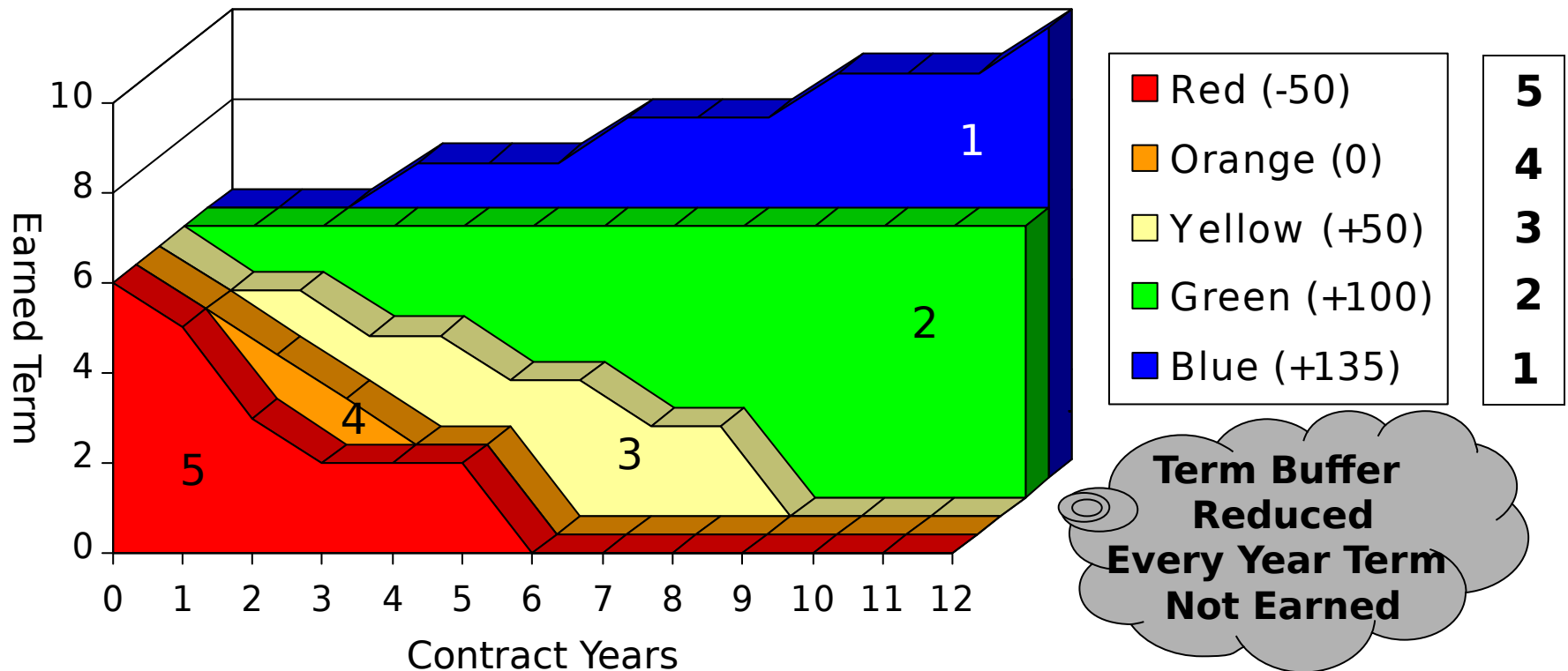
***Optimal Balance Required to Achieve
Significant Points in Excess of One Term***



Award Term Scenarios

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Annual Term Point
Results (Constant)



***Performance At or Better than Expected
Required to Maintain Contract Term***



Incentive Strategy Conclusions

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- Output Based Performance Measures Focus on Warfighter's Needs (Availability, Training, & Cost)
- Integrated Incentive Strategy Ensures Consistent, Mutually Reinforcing Assessments for both Plans
 - Supports CPAR Evaluations
- Contractor is Challenged to Gain Desired Fee Minimum (~80%) and Annual Term Additions.

***Incentive Plan Motivates Contractor
Discretionary Investment While Balancing
Performance and Cost***